




THE CITY OF SAN DIEGO  
M E M O R A N D U M

DATE: March 18, 2008  
TO: Honorable Councilmembers  
FROM: Tracy Jarman, Fire Chief   
SUBJECT: Fire-Rescue Helicopter Acquisition

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While considering the Fire Helicopter Acquisition, which was approved in the City Council Meeting on February 19, 2008, questions were raised regarding the funding methodology that will be used to staff the helicopter, and the impact to City services, given the priority of the second helicopter and the additional \$1.4 million required to fund it.

Fire-Rescue and Financial Management agree that reducing Fire-Rescue's vacancy factor is an acceptable method of achieving the required funding for the second helicopter. Currently, Fire-Rescue maintains vacant positions, the value of which is reduced via the vacancy factor, then added back as overtime. This is the most cost-effective approach to handling backfill requirements. Helicopter personnel can then be hired from these existing vacant positions, and the vacancy factor, reduced, would increase the department's personnel expense by the required \$1.4 million. The current level of overtime would need to be maintained, which would result in a net increase to personnel expenses without increasing Fire-Rescue's FTE count.

Reducing Fire-Rescue's vacancy factor will result in a \$1.4 million increase to the department's budget; and, therefore the General Fund. This is only one of many other priority items to be considered while attempting to balance the City's Fiscal Year 2009 budget. The Mayor will deliver a balanced proposed budget to City Council on April 15, 2008, and will outline his strategy to address these funding issues, as well as his plan to provide the most optimal services possible in a challenging fiscal climate.

cc: Jerry Sanders, Mayor  
Jay Goldstone, Chief Operating Officer  
Jill Olen, Deputy Chief Operating Officer, Public Safety/Homeland Security  
Mary Lewis, Chief Financial Officer  
Nader Tirandazi, Financial Management Director  
Javier Mainar, Assistant Fire Chief  
Brian Fennessy, Deputy Chief of Air Operations  
Dean Roberts, Assistant to the Fire Chief



000217

THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: March 19, 2008

REPORT NO: 08-039

ATTENTION: Council President and City Council

SUBJECT: Agenda of March 25, 2008  
First Amendment to the Master Lease Agreement with Koch Financial Corporation

REFERENCE: Fire/Rescue Helicopter Acquisition, Report #08-011

REQUESTED ACTION(S):

Authorize the Mayor to execute the First Amendment to the Master Lease Agreement with Koch Financial, increasing the authorization for the lease purchase of Fire Helicopter and essential equipment and vehicles from \$14.6 million to an amount not to exceed \$37.3 million.

STAFF RECOMMENDATION:

Approve the requested action.

SUMMARY:

**I. Background**

The City is currently seeking to finance, via lease-purchase, a new Fire/Rescue helicopter and certain motive equipment to meet Fiscal Year 2008 fleet replacement needs. The City utilizes the Equipment and Vehicle Financing Program (EVFP), a lease-purchase funding option, to acquire essential equipment. The lease-purchase option enables the City to fund high priority equipment used to provide essential operations such as fire protection, streets maintenance and refuse collection. It is an alternative to cash funding. The EVFP has been utilized to lease-purchase the City's motive equipment and other special needs since Fiscal Year 1998.

**II. Vehicles and Equipment Being Financed**

**A. Fire Helicopter**

The San Diego Fire-Rescue Department (SDFD) currently has a refurbished Bell 212 medium-lift fire-rescue helicopter. The acquisition of a new state-of-the-art Fire Department Helicopter is proposed to maximize availability, minimize response times, and provide mission flexibility and emergency medical services response. Estimated cost of a new helicopter equipped with standard Level 1 IFR technology is estimated at \$8.5 million. This medium-lift helicopter would be configured with technologically

advanced equipment unique to SDFD's specific needs including increased generator capacity, high transmission drive-system, vibrations monitoring system and four-blade composite main rotor with a service life expected to be 15 years. Estimated cost for procurement and installation of ancillary equipment is estimated at an additional \$2 million. The total cost of the completed helicopter is expected to be between \$10.4 million and \$10.6 million. It is expected to be procured by August of calendar year 2008.

### ***B. Motive Equipment***

The City provides a wide variety of services to its communities and residents. Examples include police, fire, graffiti control, library, traffic signal maintenance, street light maintenance, roadway asphaltting, storm drain maintenance, street sweeping, trash/refuse collection, building maintenance, and park maintenance. Motive equipment is essential to conduct services and provide a benefit to the public. The current fleet size is 4,600 vehicles; this year 814 vehicles are scheduled to be replaced with new motive equipment, 37% or 305 of which are required to be lease purchased. Vehicles are replaced by an assessment of mileage, technological needs and life cycle. Funds to replace motive equipment are supported by annual charges to user departments for each piece of motive equipment.

#### Fiscal Year 2008 Fleet Replacement Needs

The City is currently in the process of procuring its Fiscal Year 2008 fleet replacement needs. Essential and immediate Lease Purchase Fleet Services needs for Fiscal Year 2008 consists of the replacement of police vehicles, parking enforcement scooters and support vehicles as well as Non-Safety Fleet vehicles such as, Light, Medium and Heavy Duty Motive Equipment. Also included in the replacement needs is the lease-purchase of 20 compact pickup trucks for the Water Department Meter Reading group. The acquisition of these vehicles will expand the duties of the Meter Readers and result in higher productivity and customer service.

Attachment 1 provides a detail listing of equipment, useful life, and purchase prices. The total cost of the acquisition is estimated at \$12.01 million with financing terms between 3 and 5 years.

## **III. Financing**

### ***A. Selection of the Lender***

Given the urgent need for financing of the fire helicopter and other vehicle and equipment needs, an amendment to the existing Master Lease Agreement was identified as the most feasible financing alternative. Several firms with existing contracts with the City were contacted<sup>1</sup>, of which 3 firms expressed interest in financing the current vehicle and equipment needs of the City. On December 20, 2007, a request for bids was sent to the 3 firms, Koch Financial Corporation, Bank of America Leasing and Capital, and GE Government Finance.

Bids were evaluated based on interest rates proposed for various lease periods. Attachment 2 is a summary of bids received. Koch Financial Corporation ("Koch") was selected as the lender for the current transaction by submitting the most cost effective funding offer.

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<sup>1</sup> Firms that were contacted were Koch Financial Corporation, Bank of America Leasing and Capital, GE Government Finance, Motorola, Key Municipal Finance, Comerica, and PB Municipal Finance.

**B. First Amendment to the Master Lease Agreement with Koch Financial Corporation**

A First Amendment to the Master Lease Agreement is required to secure financing for the acquisition of the fire helicopter and Fiscal Year 2008 motive equipment. This amendment would increase the cumulative funding capacity of the existing contract with Koch by \$22.7 million. The current Master Lease Agreement, in an amount not to exceed \$14.6 million<sup>2</sup> with Koch Financial Corporation was approved by the City Council on March 27, 2007 under Ordinance O-19584. The First Amendment to the Master Lease Agreement will increase the total authorization from the existing \$14.6 million to an amount not to exceed \$37.3 million. Additionally, the acquisition of the helicopter requires an Aircraft Supplement in accordance with the provision of the Cape Town Treaty Implementation Act of 2004. See Attachment 3 for additional key provisions as it relates to the helicopter acquisition.

**C. Execution of First Amendment and Lease Purchase of Vehicles & Equipment**

The amendment to the Master Lease Agreement will be executed upon City Council authorization via an Ordinance. The proposed vehicles and equipment to be financed will be ordered after the authorizing ordinance goes into effect. Upon delivery, followed by testing and acceptance of the equipment and vehicles by the City, the vendors will be paid by Koch on a funding date agreed to by Koch and the City. The equipment/vehicles typically are received and accepted in installments, with expected delivery varying between 2-7 months. The effective interest rate, which will determine the annual lease payment obligation, is fixed at the time funds are drawn to pay vendors as the equipment is received and accepted by the City.

**FISCAL CONSIDERATIONS:****I. Fire Helicopter**

The fire helicopter estimated to cost approximately \$10.6 million is proposed to be financed over a 15-year term based on its useful life. The estimated fiscal impact over the 15-year repayment term, assuming delivery of the equipment in August 2008, is as follows (subject to changes in market conditions, date of delivery and/or equipment costs):

Description	
FY 2009 Sales Tax payment	\$ 821,500
FY 2010 Annual Payments	\$ 1,044,891
FY 2011	\$ 1,044,891
FY 2012	\$ 1,044,891
FY 2013	\$ 1,044,891
FY 2014	\$ 1,044,891
FY 2015	\$ 1,044,891
FY 2016	\$ 1,044,891
FY 2017	\$ 1,044,891
FY 2018	\$ 1,044,891
FY 2019	\$ 1,044,891
FY 2020	\$ 1,044,891
FY 2021	\$ 1,044,891
FY 2022	\$ 1,044,891
FY 2023	\$ 1,044,891
FY 2024	\$ 522,445
Total Lease Payments (rounded)	\$ 15,150,913
Total Payments (Including Sales Tax) (rounded)	\$ 15,972,413

Estimates, subject to change

**Assumptions:**

- Vendor payment date: September 15, 2008
- 1st semi-annual payment 12 months after vendor payment
- Estimated interest rate: 4.73%  
(AAA MMD \* 118.0203%; AAA MMD as of 02/15/08: 4.01%)
- Sales tax is not financed, and will be paid at the time of vendor payment

<sup>2</sup> Projects authorized under this agreement were the acquisition of Motive Equipment in an amount not to exceed \$11.6 million and the Public Safety Communications Project in an amount not to exceed \$3 million.

000220

Summary of Acquisition Costs

Principal Amt Funded:	\$10.60 mil
Interest paid:	\$ 4.55 mil
Sales Tax:	\$ 0.82 mil
Total:	\$15.97 mil

The annual lease payments will be included in future budgets and City Council approval will be obtained through the annual budget process. Based on current projections, it is anticipated adequate funds exist within Fire-Rescue's helicopter special fund account #10264 to pay the sales tax upon aircraft delivery and to pay for the lease-payments through Fiscal Year 2010. Lease payments would need to be supported by the General Fund beginning in Fiscal Year 2011.

In addition to lease-payments, expenses related to operations and maintenance and staffing will be incurred, which would be supported by the General Fund commencing Fiscal Year 2009.

**II. Motive Equipment**

Motive Equipment estimated at \$12.01 million will be financed over three-year and five-year-term determined by the useful life of each class of equipment. The breakdown is as follows (See Attachment 1 for a complete list of equipment, useful life, and description):

<u>Amount financed</u>	<u>Financing Term</u>
\$ 49,000	3 years
<u>\$ 11,962,470</u>	5 years
Total \$ 12,011,470	

There is no projected fiscal impact in Fiscal Year 2008. The lease payments for future years are subject to annual appropriations; lease payments will be included in future budgets and City Council approval will be obtained through the annual budget process. The estimated fiscal impact is as follows (subject to changes in market conditions, dates of delivery and/or equipment costs):

	<u>3 YR</u>	<u>5 YR</u>	<u>Total</u>
FY 2009 - Sales Tax payment	\$ 3,798	\$ 927,091	\$ 930,889
FY 2009 - Fitting Costs	\$ 7,576	\$ 515,500	\$ 523,076
<u>Lease Payments</u>			
FY 2009	\$ 8,596	\$ 1,308,585	\$ 1,317,181
FY 2010	\$ 17,192	\$ 2,617,169	\$ 2,634,362
FY 2011	\$ 17,192	\$ 2,617,169	\$ 2,634,362
FY 2012	\$ 8,596	\$ 2,617,169	\$ 2,625,766
FY 2013		\$ 2,617,169	\$ 2,617,169
FY 2014		\$ 1,308,585	\$ 1,308,585
Total Lease Payments (rounded)	\$ 51,577	\$ 13,085,847	\$ 13,137,424
Total Payments (Lease payments + sales tax + fitting costs) (rounded)	\$ 62,950	\$ 14,528,438	\$ 14,591,389

Assumptions:

- Vendor payment date: July 1, 2008
- 1<sup>st</sup> semi-annual payment 6 months after vendor payment
- Estimated interest rate for 3 year term: 2.83% (AAA MMD \* 122.0395%; AAA MMD as of 02/15/08: 2.32%)
- Estimated interest rate for 5 year term: 3.23% (AAA MMD \* 120.5635%; AAA MMD as of 02/15/08: 2.68%)

Summary of Acquisition Costs

	<u>3 year term</u>	<u>5 year term</u>
Principal Amount Funded	\$ 49,000	\$ 11,962,470
Interest Paid	\$ 2,577	\$ 1,123,377
Sales Tax	\$ 3,798	\$ 927,091
Fitting Costs	\$ 7,576	\$ 515,500
TOTAL (rounded)	\$ 62,950	\$ 14,528,438

Funds to replace motive equipment are generated by annual charges to departments for each item of motive equipment. The annual lease payments will be made from funds generated from the aforementioned annual charges accrued in the City's multiple sub-fund account #500311.

PREVIOUS COUNCIL MEETING and/or COMMITTEE ACTION:

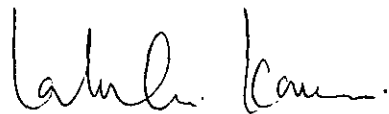
The current agreement with Koch Financial was authorized by the City Council on March 27, 2007 under Ordinance O-19584. The amount financed was for Motive equipment and Public Safety Communications Project with a total amount not to exceed \$14.6 million.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

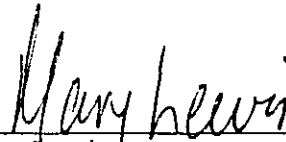
N/A

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Koch Financial, the lease provider, is the sole business entity involved in this agreement extension.



Lakshmi Kommi  
Debt Management Director



Mary Lewis  
Chief Financial Officer

Attachments:

1. List of Motive Equipment
2. Summary of Bids Received
3. Helicopter Lease Financing - Additional Key Provisions/Documents

## LIST OF MOTIVE EQUIPMENT

Financing Term	Useful Life/Yrs	Equipment Description	Quantity	Subtotal	Sales Tax	Fitting Costs	Grand Total
3 Year	5yrs	MOTOR CYCLE	2	\$49,000	\$3,798	\$7,576	\$60,374
		Sub-Total	2	\$49,000	\$3,798	\$7,576	\$60,374
5 Year	7 yrs	TRK-Aerial Lift-14.5K gvw	4	\$288,000	\$22,320	\$16,000	\$326,320
	7 yrs	TRK-PATCH-HEATED	2	\$310,000	\$24,025	\$4,000	\$338,025
	10yrs	PASTEL- Fusion-Focus or Taurus	20	\$500,000	\$38,750	\$0	\$538,750
	10yrs	Parking Scooters	18	\$570,060	\$44,180	\$3,600	\$617,840
	12yrs	UTILITY- trucks and vehicles	9	\$262,350	\$20,332	\$4,500	\$287,182
	10 yrs	CHIPPER-WOOD	1	\$15,000	\$1,163	\$200	\$16,363
	10 yrs	EXCAVATOR-Wheel	1	\$550,000	\$42,625	\$2,000	\$594,625
	8 yrs	FLTBD-14FT-CRANE & Compressors	7	\$458,000	\$35,495	\$31,000	\$524,495
	10 yrs	FORKLIFT-Under 10K gvw	1	\$35,000	\$2,713	\$300	\$38,013
	15 yrs	GRADER-MOTOR 12FT MB	1	\$125,000	\$9,688	\$400	\$135,088
	8 yrs	LOADER-Wheel-UTIL	1	\$98,000	\$7,595	\$400	\$105,995
	8 yrs	MILLING MACHINE-COLD	1	\$160,000	\$12,400	\$400	\$172,800
	7 yrs	PACKER PAKMORE	1	\$186,000	\$14,415	\$1,000	\$201,415
	8 yrs	Various Pick-up trucks (1/2 ton, 3/4 ton)	95	\$1,393,100	\$107,965	\$203,500	\$1,704,565
	10 yrs	ROLLER	3	\$300,000	\$23,250	\$1,200	\$324,450
	8 yrs	SCOOTERS	4	\$56,000	\$4,340	\$1,600	\$61,940
	8 yrs	SDN-COMPACT	1	\$13,400	\$1,039	\$2,000	\$16,439
	8 yrs	SUV-5K gvw-4X4	5	\$150,000	\$11,625	\$2,000	\$163,625
	8 yrs	VARIOUS TRACTORS	16	\$1,080,000	\$83,700	\$10,300	\$1,174,000
	10 yrs	VARIOUS TRAILORS	23	\$539,000	\$41,773	\$26,600	\$607,373
	8 yrs	TRK-BOOM-LIGHT-DIESEL	1	\$185,000	\$14,338	\$4,000	\$203,338
	8 yrs	VARIOUS DUMP TRUCKS	13	\$1,409,000	\$109,198	\$12,500	\$1,530,698
	8 yrs	TRK-PAINT SPRAY-Medium	6	\$540,000	\$41,850	\$15,000	\$596,850
	8 yrs	VARIOUS SERVICE TRUCKS	26	\$754,600	\$58,482	\$53,000	\$866,082
	8 yrs	TRK-Thermoplastic Spray	2	\$278,000	\$21,545	\$4,000	\$303,545
	8 yrs	TRK-Tractor-5th Wheel-Heavy	1	\$133,000	\$10,308	\$2,500	\$145,808
	8 yrs	TRK-WEED SPRAY-LIGHT/MEDIUM	5	\$205,000	\$15,888	\$25,000	\$245,888
	8 yrs	Various Vans	35	\$1,119,400	\$86,754	\$78,500	\$1,284,654
	10yrs	Water Dept. Compact pick-ups	20	\$249,560	\$19,341	\$10,000	\$278,901
		Sub-Total	323	\$11,962,470	\$927,092	\$515,500	\$13,405,062
		Grand Total	325	\$12,011,470	\$930,889	\$523,076	\$13,465,436

<sup>(1)</sup> Total includes \$1,381,410 of Safety Light Fleet and \$10,380,500 of Non-Safety Light Fleet.

Attachment 2

**City of San Diego**  
**Lease Purchase of Fire Helicopter and Motive Equipment**  
**Summary of Bids Received**

<u>Years</u>	<b>Koch Financial</b> As of 02/15/08			<b>GE Government Finance</b> As of 02/15/08			<b>Bank of America</b> As of 02/15/08			
	<u>AAA MMD</u>	<u>%of Index</u>	<u>Effective Interest Rate</u>	<u>Swap Rate</u>	<u>Spread over Swap</u>	<u>Effective Interest Rate</u>	<u>Swap Rate</u>	<u>%of Index</u>	<u>Spread over % of Index</u>	<u>Effective Interest Rate</u>
3	2.32%	122.0395%	<b>2.83%</b>	3.06%	0.47%	3.53%	Same as 5- year			4.13%
5	2.68%	120.5635%	<b>3.23%</b>	3.66%	0.32%	3.98%	3.66%	65.00%	1.75%	4.13%
6	2.83%	120.1680%	<b>3.40%</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	2.99%	119.7771%	<b>3.58%</b>	4.10%	0.17%	4.27%	4.10%	65.00%	1.82%	4.49%
10	3.45%	118.4281%	<b>4.09%</b>	4.52%	0.10%	4.62%	Same as 7- year			4.49%
12	3.75%	117.0213%	<b>4.39%</b>	4.58%	0.14%	4.72%	4.58%	65.00%	1.88%	4.86%
15	4.01%	118.0203%	<b>4.73%</b>	N/A	N/A	N/A	Same as 10- year			4.86%



**City of San Diego, California  
Helicopter Lease Financing  
Additional Key Provisions/Documents**

- The Master Lease Agreement between the City of San Diego, California (the "City") and Koch Financial Corporation ("Koch") dated March 27, 2007 will be supplemented by an appropriate Aircraft Supplement to the Master Lease Agreement, which will be provided upon approval of the lease financing.
- The documentation will include those items necessary to properly perfect Koch's security interest in the helicopter in accordance with the provisions of The Cape Town Treaty Implementation Act of 2004 through the International Registry.
- Koch Financial Corporation will require that all appendices to the Master Lease Agreement relating to the helicopter be cross-collateralized and contain cross-default/cross-non-appropriation provisions such that a default or non-appropriation under one appendix constitutes a default or non-appropriation under all related appendices.
- The City will agree to provide comprehensive aircraft liability insurance against bodily injury or property damage claims in an amount not less than \$50,000,000 for each single occurrence, all-risk ground, taxiing and flight hull insurances covering the helicopter at full replacement value, and shall name Koch as an additional insured and loss payee.
- The Aircraft Supplement will require that the helicopter be operated in compliance with all requirements of the FARs, and by pilots having satisfied all requirements established by the FAA, the Transportation Security Administration, and any other applicable governmental authority.
- The Aircraft Supplement may contain particular provisions regarding inspections, available operating hours upon return of the helicopter for various components (engine, rotor blades and components, transmission and gear box), and excess use.

000225

DOCKET SUPPORTING INFORMATION  
CITY OF SAN DIEGO

DATE:

50  
04/15**EQUAL OPPORTUNITY CONTRACTING PROGRAM EVALUATION**

February 28, 2008

SUBJECT: First Amendment to the Master Lease Agreement with Koch Financial

**GENERAL CONSULTANT INFORMATION**

Recommended Contractor: Koch Financial

Amount of this Action: \$ 22,700,000.00

Funding Source: City

**SUBCONSULTANT PARTICIPATION**

There is no subconsultant activity associated with this action.

**EQUAL EMPLOYMENT OPPORTUNITY COMPLIANCE**

Equal Opportunity: Required.

Koch Financial submitted a Work Force Report dated February 5, 2008. The Administrative Work Force Report reflects 31. Under representations in the Work Force Reports exist in the following:

Females in Management & Financial, Professional, and Technical

This agreement is subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2702) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517)

**ADDITIONAL COMMENTS**RLI

File: Admin WOFO 2000

Date WOFO Submitted: 2/5/2008  
Input by: SHGoals reflect statistical labor force  
availability for the following: 2000 CLFA  
Maricopa County, AZCity of San Diego/Equal Opportunity Contracting  
**WORK FORCE ANALYSIS REPORT**  
FOR  
Company: Koch Financial Corporation

## I. TOTAL WORK FORCE:

	CLFA Goals	Black		CLFA Goals	Hispanic		CLFA Goals	Asian		CLFA Goals	American Indian		CLFA Goals	Filipino		White		Other	
		M	F		M	F		M	F		M	F		M	F		M	F	
Mgmt & Financial	2.6%	0	0	9.0%	1	0	1.9%	0	0	0.7%	0	0	1.9%	0	0	9	3	0	0
Professional	3.5%	0	0	9.5%	1	0	2.2%	0	0	0.9%	0	0	2.2%	0	0	6	5	0	0
A&E, Science, Computer	2.9%	0	0	6.4%	0	0	7.0%	0	0	0.6%	0	0	7.0%	0	0	0	0	0	0
Technical	3.9%	0	0	12.3%	1	0	3.2%	0	0	1.9%	0	0	3.2%	0	0	1	0	0	0
Sales	2.8%	0	0	13.3%	0	0	1.7%	0	0	1.1%	0	0	1.7%	0	0	0	1	0	0
Administrative Support	4.6%	0	0	17.1%	0	0	1.7%	0	0	1.7%	0	0	1.7%	0	0	0	3	0	0
Services	3.9%	0	0	31.8%	0	0	2.4%	0	0	1.9%	0	0	2.4%	0	0	0	0	0	0
Crafts	2.5%	0	0	21.5%	0	0	1.9%	0	0	1.5%	0	0	1.9%	0	0	0	0	0	0
Operative Workers	3.4%	0	0	39.3%	0	0	4.5%	0	0	1.9%	0	0	4.5%	0	0	0	0	0	0
Transportation	5.5%	0	0	24.9%	0	0	1.2%	0	0	1.4%	0	0	1.2%	0	0	0	0	0	0
Laborers	2.5%	0	0	57.2%	0	0	0.7%	0	0	1.6%	0	0	0.7%	0	0	0	0	0	0
<b>TOTAL</b>		<b>0</b>	<b>0</b>		<b>3</b>	<b>0</b>		<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>16</b>	<b>12</b>	<b>0</b>	<b>0</b>

## HOW TO READ TOTAL WORK FORCE SECTION:

The information blocks in Section 1 (Total Work Force) identify the absolute number of the firm's employees. Each employee is listed in their respective ethnic/gender and employment category. The percentages listed under the heading of "CLFA Goals" are the County Labor Force Availability goals for each employment and ethnic/gender category.

Mgmt & Financial  
Professional  
A&E, Science, Computer  
Technical  
Sales  
Administrative Support  
Services  
Crafts  
Operative Workers  
Transportation  
Laborers

TOTAL EMPLOYEES			Female Goals
ALL	M	F	
13	10	3	39.1%
12	7	5	59.6%
0	0	0	20.2%
2	2	0	51.6%
1	0	1	46.0%
3	0	3	73.5%
0	0	0	60.7%
0	0	0	7.5%
0	0	0	33.8%
0	0	0	13.9%
0	0	0	10.6%
<b>TOTAL</b>	<b>31</b>	<b>19</b>	<b>12</b>

## HOW TO READ EMPLOYMENT ANALYSIS SECTION:

The percentages listed in the goals column are calculated by multiplying the CLFA goals by the number of employees in that job category. The number in that column represents the percentage of each protected group that should be employed by the firm to meet the CLFA goal. A negative number will be shown in the discrepancy column for each underrepresented goal of at least 1.00 position.

## II. EMPLOYMENT ANALYSIS

	Black			Hispanic			Asian			American Indian			Filipino			Female		
	Goals	Actual	Discrepancy	Goals	Actual	Discrepancy	Goals	Actual	Discrepancy	Goals	Actual	Discrepancy	Goals	Actual	Discrepancy	Goals	Actual	Discrepancy
Mgmt & Financial	0.34	0	N/A	1.17	1	N/A	0.25	0	N/A	0.09	0	N/A	0.25	0	N/A	5.08	3	(2.08)
Professional	0.42	0	N/A	1.14	1	N/A	0.26	0	N/A	0.11	0	N/A	0.26	0	N/A	7.15	5	(2.15)
A&E, Science, Computer	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00
Technical	0.08	0	N/A	0.25	1	N/A	0.06	0	N/A	0.04	0	N/A	0.06	0	N/A	1.03	0	(1.03)
Sales	0.03	0	N/A	0.13	0	N/A	0.02	0	N/A	0.01	0	N/A	0.02	0	N/A	0.46	1	N/A
Administrative Support	0.14	0	N/A	0.51	0	N/A	0.05	0	N/A	0.05	0	N/A	0.05	0	N/A	2.21	3	N/A
Services	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00
Crafts	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00
Operative Workers	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00
Transportation	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00
Laborers	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00

Goals are set by job categories for each protected group. An underrepresentation is indicated by a negative number, but if the DISCREPANCY is less than -1.00 position, a N/A will be displayed to show there is no underrepresentation.

<b>000227 REQUEST FOR COUNCIL ACTION</b> CITY OF SAN DIEGO		1. CERTIFICATE NUMBER (FOR AUDITOR'S USE ONLY) <div style="text-align: right;">50 04/15</div>	
TO: City Attorney		2. FROM (ORIGINATING DEPARTMENT): Debt Management	
3. DATE: February 12, 2008			
4. SUBJECT: First Amendment to the Master Lease Agreement with Koch Financial			
5. PRIMARY CONTACT (NAME, PHONE & MAIL STA.) Debt Management, Jyothi Pantulu, 236-6917, MS 7B		6. SECONDARY CONTACT (NAME, PHONE & MAIL STA.) Debt Management, Sonia Prado, 236-6640 MS 7B	
		7. CHECK BOX IF REPORT TO COUNCIL IS ATTACHED <div style="text-align: right;"><input checked="" type="checkbox"/></div>	
<b>8. COMPLETE FOR ACCOUNTING PURPOSES</b>			
FUND			
DEPT.			
ORGANIZATION			
OBJECT ACCOUNT			
JOB ORDER			
C.I.P. NUMBER			
AMOUNT			
9. ADDITIONAL INFORMATION / ESTIMATED COST:  NO FISCAL IMPACT IN FY 2008  SEE FISCAL CONSIDERATIONS IN THE ATTACHED STAFF REPORT FOR FISCAL IMPACT IN FUTURE YEARS			
<b>10. ROUTING AND APPROVALS</b>			
ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
1	ORIGINATING DEPARTMENT	<i>Calvin Kani</i>	2/14/08
2	FLEET SERVICES		
3	FIRE	<i>Paul B. Fyfe</i>	2/26/08
4	EOCP	<i>Paul B. Fyfe</i>	2/26/08
5	LIAISON OFFICE		
6	FINANCIAL MANAGEMENT	<i>Angela P. Peltz</i>	2/25/08
7	COMPTROLLER	<i>Traci Smith</i>	2/26/08
8	DEPUTY CHIEF/CFO	<i>Mark Henry</i>	3/3/08
9	CITY ATTORNEY	<i>Mark Henry</i>	2/26/08
10	ORIGINATING DEPARTMENT	<i>Calvin Kani</i>	3/1/08
11			
DOCKET COORD: _____ COUNCIL LIAISON: _____			
COUNCIL PRESIDENT <input type="checkbox"/> SPOB <input type="checkbox"/> CONSENT <input checked="" type="checkbox"/> ADOPTION <input type="checkbox"/> REFER TO: _____ COUNCIL DATE: 3/25/08			
11. PREPARATION OF: <input type="checkbox"/> RESOLUTION(S) <input checked="" type="checkbox"/> ORDINANCE(S) <input type="checkbox"/> AGREEMENT(S) <input type="checkbox"/> DEED(S)			
Authorize the Mayor to execute the First Amendment to the Master Lease Agreement with Koch Financial, increasing the authorization for the lease purchase of Fire Helicopter and essential equipment and vehicles from \$14.6 million to an amount not to exceed \$37.3 million.			
11A. STAFF RECOMMENDATIONS: Approve the authorization.			
12. SPECIAL CONDITIONS:			
<u>COUNCIL DISTRICT(S):</u>		All Districts will be served.	
<u>COMMUNITY AREA(S):</u>		City-Wide.	
<u>ENVIRONMENTAL IMPACT:</u>		This activity is not a "project" and is therefore exempt from CEQA pursuant to State CEQA Guidelines Section 15060(c)(3).	
<u>HOUSING IMPACT:</u>		None with this action.	
<u>OTHER ISSUES:</u>		This action is subject to City Charter Section 99; six votes are required for approval.	
REQUEST FOR COUNCIL ACTION.LEASEPURCHASE.DOC			

000228

REQUEST FOR COUNCIL ACTION CITY OF SAN DIEGO						1. CERTIFICATE NUMBER (FOR AUDITOR'S USE ONLY)	
TO: City Attorney		2. FROM (ORIGINATING DEPARTMENT): Debt Management				3. DATE: February 12, 2008	
4. SUBJECT: First Amendment to the Master Lease Agreement with Koch Financial							
5. PRIMARY CONTACT (NAME, PHONE & MAIL STA.) Debt Management, Jyothi Pantulu, 236-6917, MS 7B				6. SECONDARY CONTACT (NAME, PHONE & MAIL STA.) Debt Management, Sonia Prado, 236-6640 MS 7B		7. CHECK BOX IF REPORT TO COUNCIL IS ATTACHED <input checked="" type="checkbox"/>	
8. COMPLETE FOR ACCOUNTING PURPOSES							
FUND					9. ADDITIONAL INFORMATION / ESTIMATED COST:  NO FISCAL IMPACT IN FY 2008  SEE FISCAL CONSIDERATIONS IN THE ATTACHED STAFF REPORT FOR FISCAL IMPACT IN FUTURE YEARS		
DEPT.							
ORGANIZATION							
OBJECT ACCOUNT							
JOB ORDER							
C.I.P. NUMBER							
AMOUNT							
10. ROUTING AND APPROVALS							
ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
1	ORIGINATING DEPARTMENT	<i>[Signature]</i>	2/14/08	8	DEPUTY CHIEF/CFO		
2	FLEET SERVICES	<i>[Signature]</i>	2/14/08	9	CITY ATTORNEY		
3	FIRE			10	ORIGINATING DEPARTMENT		
4	EOCP			11			
5	LIAISON OFFICE			DOCKET COORD: _____ COUNCIL LIAISON: _____ <input checked="" type="checkbox"/> COUNCIL PRESIDENT <input type="checkbox"/> SPOB <input type="checkbox"/> CONSENT <input type="checkbox"/> ADOPTION <input type="checkbox"/> REFER TO: _____ COUNCIL DATE: _____			
6	FINANCIAL MANAGEMENT						
7	COMPTROLLER						
11. PREPARATION OF: <input type="checkbox"/> RESOLUTION(S) <input checked="" type="checkbox"/> ORDINANCE(S) <input type="checkbox"/> AGREEMENT(S) <input type="checkbox"/> DEED(S)							
Authorize the Mayor to execute the First Amendment to the Master Lease Agreement with Koch Financial, increasing the authorization for the lease purchase of Fire Helicopter and essential equipment and vehicles from \$14.6 million to an amount not to exceed \$37.3 million.							
11A. STAFF RECOMMENDATIONS: Approve the authorization.							
12. SPECIAL CONDITIONS:							
<u>COUNCIL DISTRICT(S):</u>		All Districts will be served.					
<u>COMMUNITY AREA(S):</u>		City-Wide.					
<u>ENVIRONMENTAL IMPACT:</u>		This activity is not a "project" and is therefore exempt from CEQA pursuant to State CEQA Guidelines Section 15060(c)(3).					
<u>HOUSING IMPACT:</u>		None with this action.					
<u>OTHER ISSUES:</u>		This action is subject to City Charter Section 99; six votes are required for approval.					
REQUEST FOR COUNCIL ACTION.LEASEPURCHASE.DOC							

REPORT TO THE CITY COUNCIL  
EXECUTIVE SUMMARY SHEET

DATE REPORT ISSUED:

REPORT NO.

ATTENTION: Council President and City Council

ORIGINATING DEPT.: Department of Finance, Debt Management

SUBJECT: First Amendment to the Master Lease Agreement with Koch Financial Corporation

COUNCIL DISTRICTS: Citywide

STAFF CONTACT: Jyothi Pantulu, (619) 236-6917

REQUESTED ACTION(S):

Authorize the Mayor to execute the First Amendment to the Master Lease Agreement with Koch Financial, increasing the authorization for the lease purchase of Fire Helicopter and essential equipment and vehicles from \$14.6 million to an amount not to exceed \$37.3 million.

STAFF RECOMMENDATION: Approve the requested action.EXECUTIVE SUMMARY: (ALSO SEE FULL STAFF REPORT)

The City is seeking to finance, via a master lease-purchase agreement, the acquisition of a new Fire/Rescue Helicopter, and Motive Equipment to meet its Fiscal Year 2008 fleet replacement needs. A First Amendment to the Master Lease Agreement is proposed to secure financing for these acquisitions. Given the urgency to obtain financing for the acquisition of the Fire Helicopter and other vehicle and equipment needs, an amendment to the existing Master Lease Agreement was identified as the most feasible financing alternative. The current Master Lease Agreement with Koch Financial Corporation ("Koch") is in an amount not to exceed \$14.6 million for the acquisition of FY 07 motive equipment in the amount of \$11.6 million and equipment related to the City's public safety communications project in the amount of \$3 million. The proposed first amendment would increase the funding capacity of the existing contract with Koch by \$22.7 million to a total amount not to exceed \$37.3 million. This includes an estimated \$10.6 million for the acquisition of the Fire Helicopter and an estimated \$12.01 million for the acquisition of Fiscal Year 2008 motive equipment needs. Koch was selected as the lender for the current transaction, by submitting the most cost effective funding option.

FISCAL CONSIDERATIONS:**I. Fire Helicopter**

The fire helicopter estimated to cost \$10.6 million is proposed to be financed over a 15-year term based on its useful life. The estimated fiscal impact over the 15-year repayment term, assuming delivery of the equipment in August 2008, is as follows (subject to changes in market conditions, dates of delivery and/or equipment costs):

Description	
FY 2009 Sales Tax payment	\$ 821,500
FY 2010 -2023 Annual Payment	\$ 1,044,891
FY 2024	\$ 522,445
Total Lease Payments (rounded)	\$ 15,150,913
Total Payments (Including Sales Tax) (rounded)	\$ 15,972,413

Estimates, subject to change

Assumptions:

- Vendor payment date: September 15, 2008
- 1<sup>st</sup> semi-annual payment 12 months after vendor payment
- Estimated interest rate: 4.73%
- Sales tax is not financed, and will be paid at the time of vendor payment

Based on current projections, it is anticipated adequate funds exist within Fire-Rescue's helicopter special fund account #10264 to pay the sales tax upon aircraft delivery and to pay for the lease-payments through Fiscal Year 2010. Lease payments would need to be supported by the General Fund beginning in Fiscal Year 2011. In addition to lease-payments, expenses related to operations and maintenance and staffing will be incurred, which would be supported by the General Fund commencing Fiscal Year 2009.

**II. Motive Equipment**

Motive Equipment estimated at \$12.01 million will be financed over three-year or five-year term, determined by the useful life of each class of equipment. The breakdown is as follows:

<u>Amount financed</u>	<u>Financing Term</u>
\$ 49,000	3 years
<u>\$ 11,962,470</u>	5 years
Total \$ 12,011,470	

The estimated fiscal impact is as follows (subject to changes in market conditions, dates of delivery and/or equipment costs):

	<u>3 YR</u>	<u>5 YR</u>	<u>Total</u>
FY 2009 - Sales Tax payment	\$ 3,798	\$ 927,091	\$ 930,889
FY 2009 - Fitting Costs	\$ 7,576	\$ 515,500	\$ 523,076
<u>Lease Payments</u>			
FY 2009	\$ 8,596	\$ 1,308,585	\$ 1,317,181
FY 2010	\$ 17,192	\$ 2,617,169	\$ 2,634,362
FY 2011	\$ 17,192	\$ 2,617,169	\$ 2,634,362
FY 2012	\$ 8,596	\$ 2,617,169	\$ 2,625,766
FY 2013		\$ 2,617,169	\$ 2,617,169
FY 2014		\$ 1,308,585	\$ 1,308,585
Total Lease Payments (rounded)	\$ 51,577	\$ 13,085,847	\$ 13,137,424
Total Payments (Lease payments + sales tax + fitting costs) (rounded)	\$ 62,950	\$ 14,528,438	\$ 14,591,389

**Assumptions:**

- Vendor payment date: July 1, 2008
- 1<sup>st</sup> semi-annual payment 6 months after vendor payment
- Estimated interest rate:
  - 3-yrs: 2.83%
  - 5-yrs: 3.23%
- Sales tax and fitting costs are not financed, and will be paid at the time of vendor payment

Funds to replace motive equipment are supported by annual charges to departments for each item of motive equipment. The annual lease payments will be made from funds generated from the aforementioned annual charges accrued in the City's multiple sub-fund account #500311.

**EQUAL OPPORTUNITY CONTRACTING**

The funding source for this agreement is the City. This agreement is subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2702) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

**PREVIOUS COUNCIL MEETING and/or COMMITTEE ACTION:**

The current agreement with Koch Financial was authorized by the City Council on March 27, 2007 under Ordinance O-19584.

**COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: N/A****KEY STAKEHOLDERS AND PROJECTED IMPACTS:**

Koch Financial, the lease provider, is the sole business entity involved in this agreement extension.



Lakshmi Kommi  
Debt Management Director



Mary Lewis  
Chief Financial Officer

ORDINANCE NUMBER O-\_\_\_\_\_ (NEW SERIES)

DATE OF FINAL PASSAGE \_\_\_\_\_

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SAN DIEGO AUTHORIZING THE MAYOR TO ENTER INTO AN AGREEMENT TO AMEND CONTRACT NO. SD-OO-19584, THE MASTER LEASE AGREEMENT BETWEEN THE CITY AND KOCH FINANCIAL CORPORATION FOR THE EQUIPMENT & VEHICLE FINANCING PROGRAM, TO ALLOW FOR KOCH TO FINANCE THE ACQUISITION BY THE CITY OF VARIOUS MOTIVE AND PUBLIC SAFETY EQUIPMENT.

WHEREAS, the City desires to finance the acquisition of various motive and public safety equipment, including the acquisition of a new fire-rescue helicopter; and

WHEREAS, the City solicited interest in providing the financing for these acquisitions from seven firms, three of which expressed interest in providing the City with the necessary financing; and

WHEREAS, on December 20, 2007, the City sent a request for bids to the three firms who had expressed interest in providing financing, including firms with which the City currently has lease agreements; and

WHEREAS, based on the lease terms and proposed borrowing costs among the bids submitted, Koch Financial Corporation [Koch] was selected to provide the City's current financing needs; and

WHEREAS, on March 20, 2007, the City Council adopted Ordinance O-19584 authorizing the Mayor to enter into a Master Lease Agreement with Koch to finance the acquisition by the City of motive and public safety equipment and the Master Lease Agreement, Contract No. SD-OO-19584, on file with the Clerk's Office as Document No. \_\_\_\_\_, between the City and Koch was entered into on March 27, 2007; and



WHEREAS, in order to accommodate the acquisition of additional motive and public safety equipment, a First Amendment to Contract No. SD-OO-19584, on file with the Clerk's Office as Document No. \_\_\_\_\_, is required to increase the funding capacity by \$22.7 million and extend the acquisition period to December 1, 2009; and

WHEREAS, the acquisition of aircraft under the Master Lease Agreement, as amended, requires an Aircraft Supplement in accordance with the provisions of the Cape Town Treaty Implementation Act of 2004, as described in the accompanying Report to Council (08-039),  
NOW THEREFORE,

BE IT ORDAINED, by the Council of the City of San Diego as follows:

Section 1. That the Mayor is authorized to enter into a First Amendment to the Master Lease Agreement between the City and Koch.

Section 2. That a full reading of this ordinance is dispensed with prior to passage, since a written copy was made available to the City Council and the public prior to the day of its passage.

Section 3. That this ordinance shall take effect and be in force on the thirtieth day from and after its final passage.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By

  
Mark D. Blake  
Chief Deputy City Attorney

MDB:jdf  
03/03/08  
Or.Dept:Debt Management  
O-2008-128

000233

I hereby certify that the foregoing Ordinance was passed by the Council of the City of San Diego, at this meeting of \_\_\_\_\_.

ELIZABETH S. MALAND  
City Clerk

By \_\_\_\_\_  
Deputy City Clerk

Approved: \_\_\_\_\_  
(date)

\_\_\_\_\_  
JERRY SANDERS, Mayor

Vetoed: \_\_\_\_\_  
(date)

\_\_\_\_\_  
JERRY SANDERS, Mayor

000235

**FIRST AMENDMENT TO MASTER LEASE AGREEMENT  
FOR THE EQUIPMENT & VEHICLE FINANCING PROGRAM**

**CITY OF SAN DIEGO, CALIFORNIA  
(AS LESSEE)**

**AND**

**KOCH FINANCIAL CORPORATION  
(AS LESSOR)**

**DATED AS OF \_\_\_\_, 2008**

## FIRST AMENDMENT TO MASTER LEASE AGREEMENT

This FIRST AMENDMENT TO MASTER LEASE AGREEMENT (this "Agreement" or this "Lease") dated as of \_\_\_\_\_, 2008, amends and supplements that certain Master Lease Agreement, dated as of April 15, 2007, between Koch Financial Corporation as the Lessor hereunder (the "Lessor"), and the City of San Diego, California (the "City") as the Lessee hereunder, a political subdivision of the State of California (the "State").

## RECITALS

WHEREAS, pursuant to a Request For Proposals, dated January 19, 2007 the City appointed Lessor to enter into arrangements for the lease purchase of various Equipment under the terms of that certain Master Lease Agreement; and

WHEREAS, in accordance with Section 10.6 of the Master Agreement, Lessor and Lessee desires to provide for the financing of all such Equipment under the terms of the Master Lease Agreement and in furtherance thereof the parties deem it necessary and desirable to amend certain terms of the Master Lease Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree to amend the Master Lease Agreement as follows:

Section 1. The term "Acquisition Period" defined at Section 1.3 of the Agreement is hereby amended to read as follows:

"Acquisition Period: means the period commencing on execution of this Agreement and ending on the earlier of December 31, 2009, or the \$37.3 million of Equipment for each of the three-, five-, seven and fifteen- year lease terms. The City reserves the right to request to increase the limits for and of the terms upon mutual agreement and preapproval of the Lessor."

Section 2. The term "Appendix" contained at Section 1.6 of the Agreement is hereby amended to read as follows:

"Appendix: means Attachment A of the Agreement, substantially in the form of annexed hereto, which includes the Acceptance Certificate, the Disbursement Authorization Certificate, the City Representation Certificate, the Payment Schedule Certificate, and all exhibits, attachments and schedules thereto, together with such other terms and documents as may be mutually agreeable to Lessee and Lessor, including but not limited to any certifications or agreements necessary or desirable in order to acquire the helicopter as contemplated under this Agreement."

Section 3. The term "Index Rate" defined at Section 1.20 of the Agreement is hereby amended to read as follows:

**"Index Rate:**

For leases using the MMD AAA Index, the respective MMD AAA rate will be used for the corresponding lease term. For leases of a three-year term using the MMD AAA Index, the Index Rate means the three-year maturity. For leases of a five-year term using the MMD AAA Index, the Index Rate means the five-year maturity rate. For leases of a seven-year term using the MMD AAA Index, the Index Rate means the seven-year maturity rate. For leases of a fifteen-year term using the MMD AAA Index, the Index Rate means the fifteen-year maturity rate."

Section 4. The term "Percentage of the Index Rate" defined at Section 1.28 of the Agreement is hereby amended to read as follows:

**Percentage of the Index Rate:** means the percentage proposed by the Lessor for the lease term(s) awarded to the Lessor which is to be multiplied by the Index Rate in the calculation of the Equipment Lease Rate in an Appendix, for all Equipment lease purchased during the term of the Agreement. The Percentage of the Index Rate for leases of a three-year term is 122.0395% of the MMD AAA 3-year Index Rate; and the Percentage of the Index Rate for leases of a five-year term is 120.5635 % of the MMD AAA 5-year Index Rate; and the Percentage of the Index Rate for leases of a seven-year term is 119.7771% of the MMD AAA 7-year Index Rate; and the Percentage of the Index Rate for leases of a fifteen-year term is 118.0203% of the MMD AAA 15-year Index Rate.

Section 5. Section 3.2 of the Agreement is hereby amended to read as follows:

The payment term of each Appendix entered into pursuant to this Agreement shall be for a period of three (3), five (5), seven (7), or fifteen (15) years, subject to a Pre-approval Request by the Lessee at the time the equipment is ordered by the City, and further subject to earlier termination as provided herein.

Section 6. Section 4.1 of the Agreement is hereby amended to read as follows:

**Amount and Times of Payment to the Lessor:** The total purchase price plus accrued interest indicated in each Appendix shall be paid by the City in equal semi-annual installment payments as indicated in an Appendix. The initial Lease Payment by the City shall be due on the first day of the month after six (6) full months have elapsed from the Vendor Payment Date as shown on an Appendix; provided however, on an **exception basis and as mutually agreed, the initial Lease Payment by the City shall be due on the first day of the month after twelve (12) full months have elapsed from the Vendor Payment Date shown on an Appendix.** The initial Lease Payment shall include accrued interest from the

Vendor Payment Date to the first Lease Payment date. Each successive Lease Payment during the term of the Appendix will continue semi-annually on the first day of the calendar month. Payments for partial months and accrued interest shall be calculated on a 30/360 basis. Lessee shall receive invoices from Lessor to Lessee no less than 45 days prior to each Lease Payment date.

Section 7. Section 5.6 of the Agreement is hereby amended to read as follows:

**Risk of Loss:** The Lessee shall obtain and maintain for the Contract Term, at the expense of the Lessee and from reputable commercial insurers, rental interruption insurance, property damage and liability insurance (excess of the City's self-insured retention of five million dollars (\$5,000,000) for Public Liability), and insurance against loss or damage to the Equipment, including loss by fire, theft, collision and such other risks of loss as are customarily insured against on the type of Equipment purchased hereunder and by the business in which the Lessee is engaged. Provided, however, that the amount of insurance against loss or damage to the Equipment shall not be less than the lesser of the full replacement value of the Equipment or the sum of the Lease Payments then remaining unpaid under the Agreement and the amount of rental interruption insurance shall cover lease payments for not less than twelve (12) months. Lessee and Lessor agree that high risk assets, including but not limited to helicopters, fire and rescue equipment and school buses, may have additional, reasonable insurance requirements for Public Liability. At the Lessor's request, the Lessee shall furnish to the Lessor a certificate of insurance or other evidence satisfactory to the Lessor that such insurance is in effect. The Lessee further agrees to give the Lessor prompt notice of any substantial damage to, or loss of, the Equipment or any part thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

**CITY OF SAN DIEGO, LESSEE**

By: \_\_\_\_\_  
(Name)

\_\_\_\_\_  
Chief Financial Officer  
(Title)

Date: \_\_\_\_\_

**KOCH FINANCIAL CORPORATION, LESSOR**

By: \_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Title)

Date: \_\_\_\_\_

**APPROVED AS TO FORM AND LEGALITY** this \_\_\_\_ day of \_\_\_\_ 2008.

By: \_\_\_\_\_  
(Name)

Mark D. Blake  
Chief Deputy City Attorney